



**PERTH
LEADERSHIP
INSTITUTE**

MIT Sloan
Management Review

*The 3 Financial Styles
of Very Successful Leaders*

Leadership Solutions

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Linking Leadership with the Bottom Line

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Dr. E. Ted Prince, CEO



Dear Top Executive

Dear Top Executive

A few more ideas from the Perth Leadership Institute that might just improve your performance as an executive, make your company more valuable, you and your employees happier...

Current preoccupations: do leaders necessarily or even mostly make money? What is the real problem underlying CEO and executive succession crises?

Note our forthcoming book from McGraw Hill (order from Amazon at <http://www.perthleadership.org/book.htm>) and the recently published article by us in [MIT's Sloan Management Review](#), see below for details. Any ideas or suggestions? Email us at eTedPrince@perthleadership.org or call at (352) 333 3768 or (516) 223 1286. Suggestions and ideas always welcome.

Ted Prince

Are Good Executives Also Good Money-Makers?

We were reminded of this issue by the recent demise of Carly Fiorina of Hewlett Packard. She was clearly an outstanding leader, if not an outstanding manager. She was smart, powerful, articulate and driven. But, on her watch, the market value of HP actually declined significantly. Is it possible that good leaders, conventionally defined, may not necessarily be good money-makers?

Conventional leadership and executive assessments focus on capabilities such as vision, ability to lead and inspire, interpersonal skills, ability to manage and delegate and so on. These are all necessary characteristics for good leadership. However these characteristics are not sufficient to be a good leader in today's world.

To be a good leader in modern enterprises, public, private or nonprofit, a leader must be able to increase the market value of the enterprise. As Carly Fiorina and a host of other leaders demonstrate to us, it is not enough to be an outstanding leader without this capability. In today's world, if a leader, no matter how good, does not increase the value of their enterprise, they have generally failed. Any serving CEO knows the penalties for good leadership absent positive valuation performance. But this lesson has not yet osmoted into leadership assessments and approaches.

For current and aspiring leaders, this is a major failing. Many, if not most of them, will fail as a leader, not because they are not a good leader, conventionally defined, but because they do not add value to their enterprise, defined in market terms, or, in the

Practical advice for CEOs and top executives to help improve their performance and their organization's business impact

Inside This Issue

Are Good Executives Also Good Money-Makers?

Yet Another CEO Succession Crisis?

Perth Leadership Institute News

About the Perth Leadership Institute

[PLI Events](#)

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case of a public or nonprofit enterprise, in welfare terms. Many will have performed magnificently as a leader, conventionally defined, yet fail when they make it to a senior executive role carrying P&L responsibility. Most will never know what hit them when they are ousted. Yet the leadership training community will not have had a model to help them fill this vital gap.

Our book, [The 3 Financial Styles of Very Successful Leaders](#) (forthcoming from McGraw Hill, July 2005) is a major step in rectifying this problem. It shows how the financial signature™ of executives drives them unconsciously to a characteristic market value outcome. This outcome will normally be negative, for most leaders. Only by understanding the impact of our personal financial traits upon our professional decision-making, can we start to understand the changes we need to make, both behaviorally and organizationally, to compensate so that the valuation outcome turns positive. You can pre-order the book from Amazon at <http://www.perthleadership.org/book.htm>

MIT's Sloan Management Review has just published (Spring 2005 issue, Vol. 46, No. 3, pp. 23–26) our article on this subject entitled "The Fiscal Behavior of CEOs." (<http://www.sloanreview.mit.edu/smr/issue/2005/spring/07/>) It provides a brief synopsis of the ideas behind this approach. We believe that these publications will start to provide the answer to the question "Are Good Managers Also Good Money-Makers" and provide new routes to effective leadership for many executives and emerging leaders.

Yet Another CEO Succession Crisis?

After a couple of high profile CEO departures – Fiorina of Hewlett Packard and Stonecipher of Boeing, the hardy perennial of CEO succession has again reared its leonine head. A recent article by Ram Charan in the Harvard Business Review (February 2005, pp 72–81) led us to consider the issue from our own particular perspective. Charan's thesis is that the CEO succession crisis is getting worse and that executive recruiters and the boards that hire them are partly and even largely to blame. He is worth quoting:

"...recruiters"formula(s) tend to overemphasize generic qualities like character and vision, as well as team-building, change management, and relationship skills..." (p.77).

Charan notes that in one CEO recruitment project he is aware of, a financial performance history for the candidate's division was not included in the recruitment report and that he had never earned the cost of capital in his life. Yet the recruiter still wanted to hire him

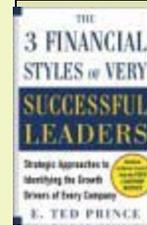
Thank you Dr Charan. We could not have said it better ourselves. The conventional perspective in executive and CEO recruitment is focused on what Charan calls a "personality surplus" at the expense of a "skills deficit" which he sees as being primarily financial in nature. To put it in our terms, boards and companies focus on leadership and character and not on what we call the financial signature and mission of the executive.

To use the hapless Carly Fiorina yet again as an example. She was an outstanding leader; she just could not make money. Charan, like us, is saying that there is a systematic tendency on the part of boards and recruiters to hire these types of leaders and that, again according to Charan, is the root of the CEO succession crisis.

Leaders such as Fiorina are powerful, persuasive and articulate. It is very easy for them to persuade a board that any financial deficits in their previous organization were a result of market or other conditions rather than due to their own financial signature or, in Charan's terms, their own skills deficit.

And once boards hire a leader such as her, it is very easy for them to be fooled for quite a while into thinking that the difficult task they gave the CEO was the reason for the long-awaited upturn in their enterprise' fortunes.

The lack of any formal financial paradigm for leadership choice leads not only to CEOs failing, but also for boards and recruiters to continue with a systematic but wrong



[The Three Financial Styles of Very Successful Leaders](#)

by **E. Ted Prince**
Published by McGraw Hill

The research being conducted by the Institute over the past few years has led to a book. Its title is: **THE THREE FINANCIAL STYLES OF VERY SUCCESSFUL LEADERS: Strategic Approaches to Identifying the Growth Drivers of Every Company.** This book will be published by McGraw Hill in July 2005.

This book incorporates a new theory of leadership based on a unique approach. This book develops the concept of a financial signature possessed by all leaders that drives the outcome, the market value and ultimately the valuation, of the organization they lead.

This book shows that the personal financial traits of leaders impact their organizations through a predictable financial performance. This issue is one that is being researched extensively by the Perth Leadership Institute. It opens up a totally new perspective on leadership. It shows that organizations run by certain types of leaders will have a distinctive valuation trajectory and outcome.

We call the personal financial traits of leaders, the financial signature™. This has been a focus of much of our research. The underlying model behind the financial signature™ can be operationalized and measured. Our research shows that the financial signature does indeed correlate with the financial performance and the valuation outcome of companies and enterprises.

The financial signature™ of leaders has wide-ranging ramifications. In effect it links organizational psychology with the theory of the firm. To date, leadership theory has been either based on a clinical psychology approach or a competency based approach. The Holy Grail of leadership theory links these with company outcomes and company valuation. In effect this is a theory that belongs to the emerging field of behavioral economics. Our research into the financial signature™ of leaders promises to be a new contribution to this linkage.

approach to choosing CEOs and top executives. As long as this continues, so will the CEO succession crisis. And for that matter, the continued failing of uncounted hordes of misplaced top executives.

Succession and financial signature are inextricably intertwined. This issue is now starting to bubble up to the surface aided by thinkers such as Charan. We predict that the issue of financial signature will come to the forefront of leadership and enterprise valuation. Again look to our forthcoming book [The 3 Financial Styles of Very Successful Leaders](#) (forthcoming from McGraw Hill, July 2005) and article for more insight into this perspective.

Perth Leadership Institute News

E. Ted Prince, "The Fiscal Behavior of CEOs" **Sloan Management Review**, (Spring 2005 issue, Vol. 46, No. 3, pp. 23-26). See <http://www.sloanreview.mit.edu/smr/issue/2005/spring/07/>.

E. Ted Prince, "The 3 Financial Styles of Very Successful Leaders: Strategic Approaches to Identifying the Growth Drivers of Every Company." McGraw Hill. New York. Order it at <http://www.perthleadership.org/book.htm>

Perth Certified Consultants

The Institute has now trained [22 consultants](#) in PLOM basics and its financial signature™ approach. Call us for details of how they can help you implement the Perth approach in your organization

The Last Word

"Merit envies success, and success takes itself for merit."
Jean Rostand, "De la vanité" 1925

About the Perth Leadership Institute

Leadership Solutions™ is a publication of the Perth Leadership Institute, www.PerthLeadership.org. Head office at 8524 SW 23rd Pl, Gainesville, FL. 32607. Telephone (352) 333 3768. Email: info@perthleadership.org. Copyright Perth Leadership Institute 2005. All rights reserved. Articles may not be copied or reproduced without the permission of the Publisher.

The Perth Leadership Institute is the developer and marketer of a proprietary leadership system based on its Perth Leadership Outcome Model™. The Institute provides consulting services to organizations that wish to increase the valuation impact of its leadership and staff.

Our approach to financial signature™ has some practical consequences and implications in real life. Coupled with our leadership assessments (specifically the Financial Outcome Assessment) it enables us to predict the valuation consequences for a company of their particular leader. Armed with this knowledge we can show how strategies can be modified to increase company valuation. This is a new and unique service that is possessed by no other company in the financial analysis or leadership areas.

The Financial Signature™

The Financial Signature™ of Leaders and Company Valuation

Do leaders have personal financial traits that lead their organizations to have a characteristic financial performance? This issue is one that is being researched extensively by the Perth Leadership Institute. It is a crucial area. If it is true, then it opens up a totally new perspective on leadership. It raises the possibility that organizations run by certain types of leaders will have a characteristic valuation trajectory and outcome. That would be a revolutionary finding.

Still, with such a new concept, is there any other research which provides some validation?

To find out more about this approach and how it can help you increase the financial and valuation performance of your company, see www.PerthLeadership.org

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